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INFO RUFHRS/AMEMBASSY ALGIERS 4964  
RUFHOL/AMEMBASSY BONN IMMEDIATE 8483  
RUEHBS/AMEMBASSY BRUSSELS 9614  
RUEHLD/AMEMBASSY LONDON IMMEDIATE 1248  
RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 4027  
RUDKSNQ/AMEMBASSY OSLO IMMEDIATE 7427  
RUEHRO/AMEMBASSY ROME IMMEDIATE 3931  
RUDKGPQ/AMEMBASSY THE HAGUE IMMEDIATE 6074  
RUFHNA/USMISSION USNATO 1459  
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**C O N F I D E N T I A L** PARIS 07145 COMBINED SECTION

BRUSSELS FOR USEC

E.O. 12065: RDS-1 3/1/02 (DUNCAN, ROBERT B.) OR-E  
TAGS: ENRG, UR, FR, NO, NL, UK  
SUBJECT: FRENCH POLICY ON NATURAL GAS

1.(C) DAS ALLAN WENDT, ACCOMPANIED BY EMBOFF, MET WITH FRENCH HYDROCARBON DIRECTOR CAPRON ON MARCH 1 TO DISCUSS FRENCH NATURAL GAS POLICY, PARTICULARLY FRENCH INTEREST IN NORWEGIAN GAS.

2.(C) WENDT ASKED CAPRON ABOUT FRENCH VIEWS ON THE PROSPECTS FOR NORWEGIAN GAS DELIVERIES TO FRANCE THROUGH THE UK. CAPRON AGREED THAT IT IS CHEAPER TO DELIVER NORWEGIAN NORTH SEA GAS TO SCOTLAND THAN TO GERMANY. HE ALSO NOTED THAT THE BRITISH CONSERVATIVE GOVERNMENT SEEMS MORE OPEN TO GAS EXPORTS. THE PROBLEM NOW LIES WITH THE NORWEGIANS IN TERMS OF THE DESIRED RATE OF GAS DEVELOPMENT. CAPRON STRESSED, HOWEVER, THAT ANY NEW NORTH SEA GAS THAT COULD BE BROUGHT ON STREAM BEFORE THE END OF THE PRESENT DECADE WOULD MERELY REPLACE THE UNEXPECTEDLY RAPID DECLINE IN FRIGG AND EKOFISH RESERVES.

3.(C) THE FRENCH HAVE SPOKEN WITH BOTH THE BRITISH AND THE NORWEGIANS ABOUT ROUTING GAS THROUGH THE UK. ACCORDING TO CAPRON, THE FRENCH CAN ACCEPT ROUTING EITHER THROUGH THE UK OR CONTINENTAL EUROPE SO LONG AS THE NORWEGIANS SELL DIRECTLY TO FRANCE. THE FRENCH REFUSE TO BUY THROUGH INTERMEDIARIES. THE FRENCH WOULD HAVE A "SLIGHT" PREFERENCE FOR DIRECT NORWEGIAN DELIVERY TO CONTINENTAL EUROPE IF THE ALTERNATIVE WAS DELIVERY THROUGH BOTH THE UK AND THE NETHERLANDS TO FRANCE. IN CONTRAST, THE FRENCH WOULD PREFER DELIVERY THROUGH THE UK IF A GAS PIPELINE LINK WERE TO BE BUILT BETWEEN THE UK AND FRANCE ACROSS THE CHANNEL. IN SHORT, THE FRENCH PREFER WHICHEVER ROUTE MINIMIZES THE NUMBER OF INTERMEDIARY COUNTRIES. CAPRON ACKNOWLEDGED, HOWEVER, THAT BECAUSE OF THE LACK OF GAS PIPELINE IN KENT,

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State Dept. review completed

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A LINK BETWEEN THE BRITISH NORTH SEA GAS FIELDS AND THE NETHERLANDS IS PROBABLY THE CHEAPEST THROUGHPUT SYSTEM. THE FRENCH DISCUSSED ALL ALTERNATIVES WITH THE NORWEGIANS DURING THE RECENT VISIT OF ENERGY MINISTER VIDKUNN HVEDING TO PARIS, BUT ONLY THE CHANNEL PIPELINE WITH THE BRITISH.

4.(C) CAPRON AGREED THAT THE DEVELOPMENT OF UK GAS EXPORTS WILL REQUIRE REVISION OF UK GAS PRICING, BUT HE THOUGHT THAT A CHANGE IS IN THE WORKS, CITING BRITISH COMMENTS AT RECENT MEETINGS.

5.(C) WITH REGARD TO THE DEVELOPMENT OF THE SLEIPNER GAS FIELD IN NORWAY, CAPRON NOTED THAT THE DEPOSIT CONTAINS CARBONIC GAS THAT WOULD HAVE TO BE SEPARATED BEFORE DELIVERY. CAPRON CONTINUED THAT THE SLEIPNER FIELD MAY BE COMPARTMENTALIZED, AND THE SECTION FREE OF CARBONIC GAS, IN HIS VIEW, COULD BE LINKED UP TO THE PIPELINE FROM THE STRATFJORD FIELD.

6.(C) CAPRON AGREED THAT THE CONCLUSION OF THE SOVIET GAS CONTRACT RAISED THE QUESTION OF THE FUTURE MARKET FOR NORWEGIAN GAS AT ACCEETABLE PRICES. THE NORWEGIANS ASKED DURING PARIS VISIT WHETHER THE FRENCH NEEDED MORE NORWEGIAN GAS. ACCODING TO CAPRON, THE FRENCH REPLIED THAT THEY WILL NEED AN ADDITIONAL 15 TO 18 BILLION CUBIC METERS PER YEAR AFTER 1992 WHEN THEY EXPECT AN END TO DUTCH DELIVERIES AND LACQ FIELDS IN FRANCE WILL BE OPERATING AT TWO-THIRDS OF CURRENT PRODUCTION. IN ANSWER TO WENDT'S SPECIFIC QUESTION, CAPRON SAW LITTLE PROSPECT FOR DUTCH RECONSIDERATION OF GAS DELIVERY CONTRACT RENEWAL. CAPRON CLAIMED THAT THE DUTCH WILL BE GAS IMPORTERS BY THE END OF THE DECADE AND WILL UNDOUBTEDLY WISH TO MAXIMIZE THE GAS AVAILABLE FOR THEIR OWN USE.

7.(C) TURNING TO NORWEGIAN GAS EXPORT PROSPECTS AFTER 1990, CAPRON SEES BLOCK 3 1/2 AS THE BEST PROSPECT. HE STRESSED THAT IT IS UNDER 300 METERS OF WATER BUT HE HAD NO DOUBT IT WOULD EVENTUALLY COME ON STREAM. WITH REGARD TO GAS IN THE NORTHERN NORWEGIAN SEA, CAPRON SAW A PIPELINE THROUGH SWEDEN AS THE MOST LIKELY EVACUATION ROUTE. HE SAW EITHER LIQUEFACTION OR A PIPELINE ACROSS NORWAY AS TOO EXPENSIVE TO BE VIABLE ALTERNATIVES. AN UNDERSEA PIEPLINE WAS POSSIBLE, BUT MUCH MORE GAS WOULD HAVE TO BE DISCOVERED TO MAKE IT PRACTICAL COMMERCIALY. WITH REGARD TO FRENCH WILLINGNESS TO PAY A PREMIUM FOR

NORWEGIAN GAS, CAPRON NOTED THE FRENCH WERE ALREADY PAYING MORE FOR STATFJORD GAS THAN FOR SOVIET GAS.

8.(C) WENOT ASKED IF CAPRON SAW ANY ALTERNATIVE TO SOVIET GAS FOR THE FRENCH. CAPRON REPLIED FRANCE COULD ELIMINATE ANY NEED FOR SOVIET GAS BY ORDERING GAZ' DE FRANCE TO CUT GAS CONSUMPTION DRAMATICALLY. HE DOES NOT THINK THIS IS FINANCIAL NONSENSE. NUCLEAR ELECTRICITY IS CHEAPER PER THERM TO THE FRENCH CONSUMER THAN ALGERIAN GAS (DOLS 5.19 PER MBTU). HOWEVER, HE THOUGHT SUCH A POLICY MOST UNLIKELY. GALBRAITH  
END OF MESSAGE

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